

Message Text

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41

ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01

TRSE-00 USIA-06 PRS-01 SP-02 FEAЕ-00 OMB-01 EURE-00

NEA-10 DOTE-00 /102 W

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P 201616Z FEB 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 5844

AMCONSUL GENOA

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E.O. 11652: N/A

TAGS: ETRD, EWWT, IT

SUBJ: UNITED BRANDS SHIPMENT IN GENOA HARBOR

REF: STATE 040476 AND PREVIOUS

SUMMARY. DESPITE PERSISTENT EFFORTS, WE WERE UNSUCCESSFUL IN OBTAINING AUTHORITY UNLOAD LA PONTOS CARGO, AND VESSEL HAS GONE ON TO TRIPOLI. GOVERNMENT IS TODAY (FEB. 20) RECONSIDERING SEVERAL ASPECTS OF BANANA IMPORT POLICY (E.G., QUOTAS, NATIONAL FLAG CARRIERS) AT INTERMINISTERIAL LEVEL AND DECISION ON NEW POLICY--AND WHETHER LA PONTOS WILL BE PERMITTED TO RETURN TO UNLOAD REMAINING CARGO IN ITALY--SHOULD BE MADE TODAY. END SUMMARY.

1. DURING PAST WEEK EMBASSY REPEATEDLY URGED MINISTRY OF FOREIGN AFFAIRS (MFA) DIRECTOR GENERAL FOR ECONOMIC AFFAIRS AMBASSADOR GUAZZARONI AND MINISTRY OF FOREIGN TRADE (MFT) DIRECTOR GENERAL BERETTI TO AUTHORIZE UNLOADING OF LA PONTOS BANANAS. MFA AND MFT STATED THAT NO AUTHORIZATION COULD BE GIVEN UNTIL DECISION MADE ON 1976 BANANA POLICY. LATTER, THEY ASSERTED,

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WAS POLITICALLY SENSITIVE AND THUS TO BE HANDLED BY CIPE

(COMITATO INTERMINISTERIALE PER LA PROGRAMMAZIONE ECONOMICA--INTERMINISTERIAL COMMITTEE FOR ECONOMIC PLANNING). EMBASSY EFFORTS TO OBTAIN AUTHORIZATION FOR LA PONTOS OFF-LOADING ON EXCEPTIONAL BASIS, PENDING DECISION ON QUOTAS, WERE UNSUCCESSFUL. WE UNDERSTAND THIS REQUEST WAS CONSIDERED AND TURNED DOWN BY MINISTER OF FOREIGN TRADE DE MITA.

2. WE HAVE ALSO BEEN IN TOUCH WITH DR. FRANCO CORTESE, EXECUTIVE DIRECTOR FOR UNITED BRANDS, NOW IN ITALY. ON FEBRUARY 19 CORTESE ORDERED LA PONTOS TO LEAVE GENOA AND PROCEED TO TRIPOLI, WHERE IT IS EXPECTED TO ARRIVE EVENING OF FEBRUARY 20 AND BEGIN UNLOADING BANANAS FEBRUARY 21. LARGE PORTION OF THE CARGO WAS TOO RIPE TO SATISFY ITALIAN TASTES BUT SUITABLE FOR LIBYAN MARKET. CORTESE BELIEVES THAT AS MUCH AS 30 PER CENT OF CARGO MAY STILL BE SUITABLE FOR ITALIAN MARKET. HE PLANS TO BRING SHIP BACK TO ITALY BY FEBRUARY 24 AND UNLOAD REMAINING CARGO, ASSUMING, HOWEVER, THAT MFT GIVES AUTHORIZATION.

3. THE PROBLEM SEEMS TO BE THE SENSITIVITY OF ITALIAN BUREAUCRACY TO REPORTS OF CORRUPTION OF GOI OFFICIALS BY THE FRUIT COMPANIES (1975 ROME 1540) AND TO THE FACT THAT THE BANANA TRADE IN ITALY IS OLIGOPOLY CONTROLLED BY UNITED BRANDS, STANDARD FRUIT, AND NOBOA/BACIFRUIT. (SOMALIS ALSO HAVE SMALL BUT DIMINISHING SHARE OF MARKET.) THESE COMPANIES OPERATE UNDER GOI QUOTA SYSTEM; 1976 QUOTA WILL BE 265,000 TONS.

4. CIPE WILL MEET TODAY (FEBRUARY 20) TO CONSIDER BANANA POLICY FOR 1976. MAIN ISSUE IS ALLOCATION OF QUOTAS. EMBASSY UNDERSTANDS NEW CONSORTIUM OF ITALIAN SHIPPERS IS BEING FORMED AND CIPE WILL ASSESS, AMONG OTHER MATTERS, WHETHER THE OLIGOPOLY SHOULD BE EXPANDED. ANOTHER ISSUE, WHICH SEEMS TO BE RELATED, IS THAT OF THE USE OF FOREIGN BOTTOMS. UNDER VAGUELY WORDED CIRCULAR ISSUED IN EARLY JANUARY 1976 BY MFT, IMPORTERS WERE ENCOURAGED TO USE ITALIAN BOTTOMS. INDEED, IMPORTERS' APPLICATIONS TO MFT HAD TO INCLUDE COPIES OF FORWARD FREIGHT CONTRACTS WITH ITALIAN SHIPPERS BEFORE APPROVAL COULD BE GIVEN. SHIPPING ASSOCIATIONS SOURCES HAVE INFORMED US, HOWEVER, THAT CIRCULAR WAS NOT STRICTLY APPLIED AND FOREIGN CARRIERS CONTINUE TO HAVE A REASONABLY STRONG SHARE OF THE BUSINESS. LOCAL SOURCES DO NOT BELIEVE IT LIKELY THAT CIPE WILL CHANGE MATTERS VERY MUCH, SINCE THE DETERMINATION OF LIMITED OFFICIAL USE

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WHO CARRIES WHAT ON WHAT SHIPPING LINE HAS ALWAYS BEEN INFORMALLY AGREED UPON IN ADVANCE OF THE BANANA SHIPPING SEASON BY IMPORTERS, THE ITALIAN SHIPPERS AND FOREIGN SHIPPING LINES.

5. ON OTHER HAND, WE UNDERSTAND THAT FINCANTIERI (GOVERNMENT-OWNED SHIPBUILDING FIRM) HAS BUILT SOME SHIPS WHICH CAN BE USED FOR BANANA TRADE. SHIPS WERE BUILT DESPITE ABSENCE OF BUYER IN ORDER TO KEEP LABOR FORCE OCCUPIED. THUS, APPARENT FLAG DIS-

CRIMINATION SEEMS TO BE RELATED TO EFFORT TO UTILIZE AVAILABLE
ITALIAN SHIPPING.

6. THE GOVERNMENT'S POSITION WAS MADE MORE DIFFICULT THIS WEEK BY A SPOKE OF PRESS REPORTS CRITICIZING THE MFT FOR WITHHOLDING IMPORT PERMISSION AND ALLOWING THE OLIGOPOLISTIC SITUATION TO CONTINUE. THE PRESS HAS CITED THE FACT THAT THE RETAIL PRICE OF BANANAS HAS RISEN RECENTLY FROM 650 LIRE PER KILO TO 900 LIRE PER KILO GIVEN THE ALMOST TOTAL ABSENCE OF BANANAS IN THE ITALIAN MARKET. ONE NEWSPAPER HAS BEGUN A CAMPAIGN URGING HOUSEWIVES NOT TO BUY BANANAS IN VIEW OF THEIR EXORBITANT HIGH PRICES, AND LOCAL BANANA DISTRIBUTOR GROUPS HAVE PUBLICLY PETITIONED MFT TO EASE THE SITUATION.

7. THE ISSUE WAS CLARIFIED (OR OBFUSCATED), BY THE APPEARANCE ON FEBRUARY 19 OF AN MFT PRESS RELEASE ON THE SUBJECT. THE PRESS REPORT LAMENTS THE EXISTENCE OF THE OLIGOPOLY, AND ACKNOWLEDGES THAT THE SUSPENSION OF IMPORTS HAS LED TO AN IMMEDIATE INCREASE IN THE PRICE OF BANANAS. IT POINTS OUT THAT "IT IS WELL FOR THE CONSUMERS TO LEARN TO PREFER NATIONAL FRUITS OVER THE IMPORTED ONES, ABOVE ALL IN THIS MOMENT OF CRISIS. BANANAS SHOULD BE CONSIDERED A LUXURY ITEM WHICH CAN BE SUBSTITUTED FOR OTHER FRUITS OF NATIONAL ORIGIN". THE MOTIVES "THAT HAVE PUSHED THE MINISTRY TO FAVOR OUR FLAG VESSELS", THE REPORT GOES ON, "ARE OBVIOUSLY OF A POLITICAL-ECONOMIC NATURE IN THAT THE NATIONAL SHIPBUILDING SECTOR IS ALWAYS A PART OF AN INTERNAL ECONOMIC SYSTEM".

8. WE WILL REPORT FURTHER DEVELOPMENTS WHEN THE RESULTS OF CIPE MEETING ARE KNOWN.VOLPE

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Message Attributes

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